International Trade

FDI increased in the manufacturing sector in 3Q24

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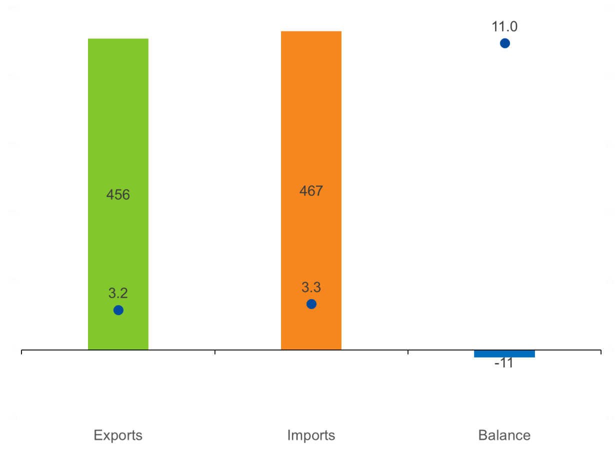
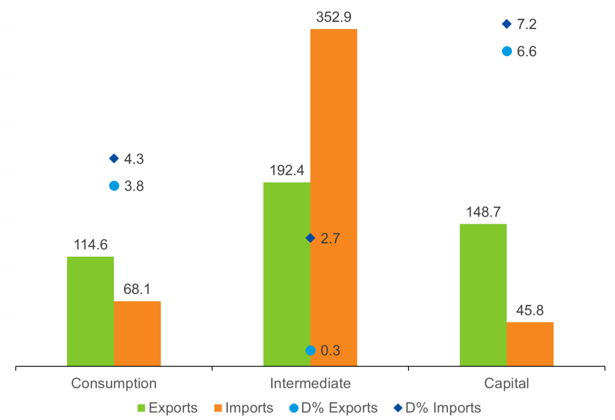
Mexico's trade balance remains negative, but this deficit remains low compared to the same period in 2023. As of the third quarter of 2024 (3Q24), the trade deficit is 11 billion dollars, the difference between exports of 456 billion dollars and imports of 467 billion dollars. This amount is 11.0% higher than the deficit in 3Q23 when it was 9.9 billion dollars. If we consider that until 3Q24, Mexico's total international merchandise trade accumulated 922 billion dollars, this deficit represents only 1.2%, or 2.4%, compared to exports. When comparing exports during the first three quarters of 2024 against the same period in 2023, they increased 3.2%, while imports grew 3.3%.

Figura 1. **MEXICO TRADE IN GOODS BALANCE 3Q24** (BILLIONS USD$, CURRENT PRICES, Yoy %)



Source: BBVA Research with data from Inegi

Figure 2. **TRADE BALANCE: GOODS 3Q24** (BILLIONS USD$, CURRENT PRICES, Yoy %)



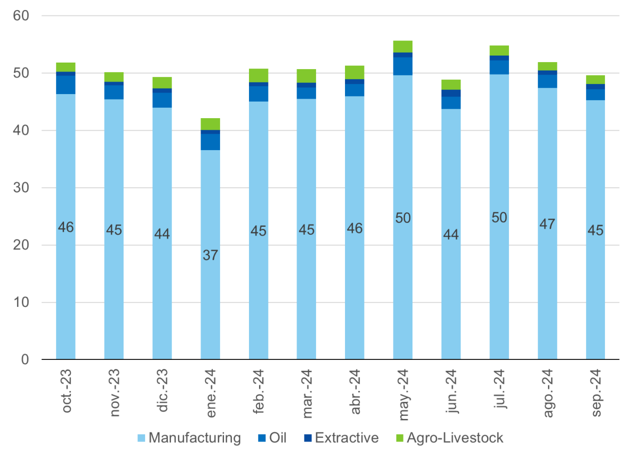
Source: BBVA Research with data from Inegi

As of the date mentioned, the trade deficit is due to imports of intermediate goods, which exceed exports of this type of goods by just over 160 billion dollars. On the other hand, Mexico's trade balance is surplus in consumer goods and, to a greater extent, capital goods; however, it is not enough to offset the negative balance of intermediate goods. In any case, the total deficit is minimal, and this balance is practically balanced. By type of goods, the most significant growth is in exports of capital goods and imports of these goods. With figures accumulated to 3Q24, exports of these goods increased 6.6% annually, and imports 7.2%. Meanwhile, exports of consumer goods increased by 3.8% and imports by 4.3%.

Manufacturing exports slowed down but continued to grow

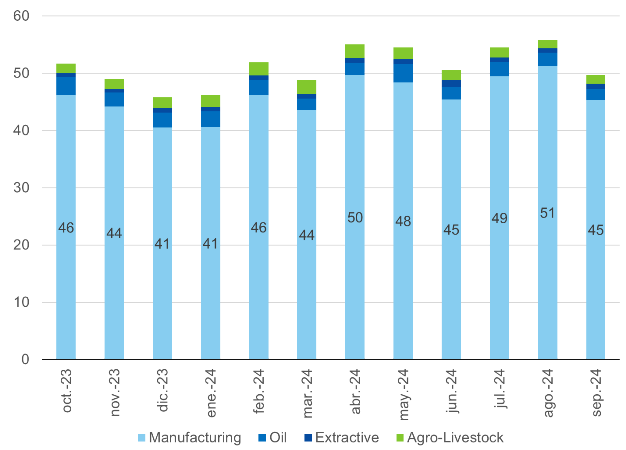
Manufacturing exports continue to grow in cumulative figures through 3Q24, although at a slightly lower rate. In these first nine months of 2024, manufacturing exports totaled 409 billion dollars, an amount 4.0% higher than the previous year, when they grew 4.4% in both cases in current terms. However, these goods gained a small share within the export portfolio, reaching 89.7% of the total. Agricultural and extractive exports also continue at an upbeat pace. In the first case, 7.2%, and in the second, 8.2%. Only oil exports decreased in this review period, from 25 billion dollars to 21 billion dollars, a contraction of 14.1%.

Figure 3. **MEXICO: EXPORTS OF GOODS (BILLIONS USD$, CURRENT PRICES)**



Source: BBVA Research with data from Inegi

Figure 4. **MEXICO: IMPORTS OF GOODS (BILLIONS USD$, CURRENT PRICES)**



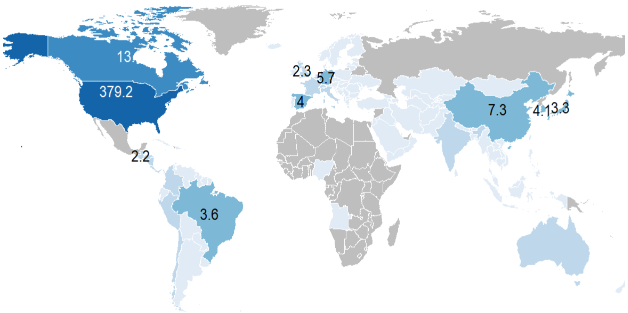
Source: BBVA Research with data from Inegi

Except for manufacturing, the rest of the imports have decreased from January to September 2024 compared to the previous year. Agricultural imports fell to 15 billion dollars, 4.6% less annually; extractive imports contracted 5.1% to total 2 billion dollars. Oil imports have declined since the second half of 2023 despite lower oil production. Oil imports totaled 29 billion dollars in the analysis period, 29.9% less than the previous year. However, manufacturing imports, representing 90% of the total, increased 7.3% to accumulate 420 billion dollars.

Mexico's concentration in North America continues

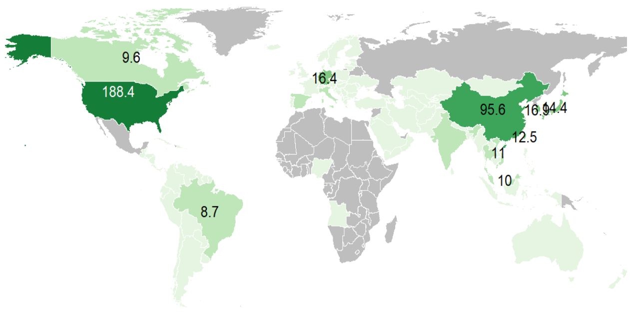
Marginally, but the concentration of Mexican exports by destination country continues to increase. Now, with accumulated figures for 3Q24, 83.2% of international merchandise trade is directed to the United States of America (USA) for a total of 379 billion dollars; until 2Q24, it was 82.7%. The order of the countries has not changed. After the US, Canada and China hold the second and third positions with shares of 3.0% and 1.6%, respectively, and amounts of only 3.0 and 1.6 billion dollars. Germany and South Korea completed the first five places. These last four countries add up to only 6.8% of the share. Exports to Canada grew during this period, going from 13.0 billion dollars to 13.9 billion dollars in accumulated figures for 3Q23 and 3Q24, respectively. Conversely, exports to China decreased 6.0% to US$7.3 billion, compared to US$7.7 billion a year earlier. As of this quarter, Asia remains a more attractive market for Mexican exports than the European market and even more so than the European Union. As of this date, exports to Asia totaled US$21.8 billion, while to Europe, they amounted to US$21.2 billion. Asia surpassed Europe as a destination as of the previous quarter.

Mapa 1. **MEXICO: EXPORTS OF GOODS 3Q24 (BILLIONS USD$, CURRENT PRICES)**



Source: BBVA Research with data from Inegi

Mapa 2. **MEXICO: IMPORTS OF GOODS 3Q24 (BILLIONS USD$, CURRENT PRICES)**



Source: BBVA Research with data from Inegi

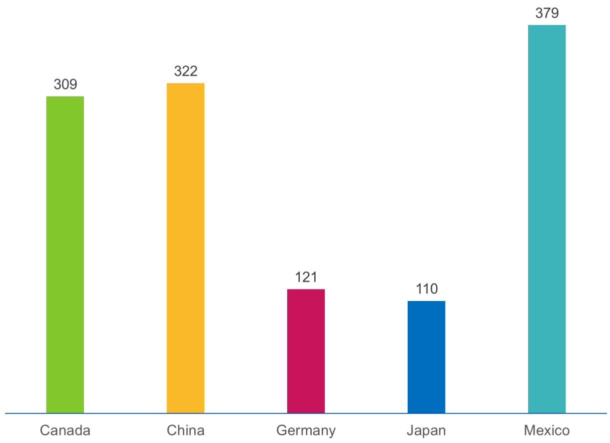
We observe slightly higher dispersion on the import side, but not too much. Mexico imported US$188 billion from the USA, equivalent to 40.4%. In the first three quarters of 2023, Mexico imported US$194 billion from the USA, which represents a contraction of 3.1%. However, this amount is almost double that observed in the case of China, from which Mexico imported US$96 billion in 3Q24, 20.5% of the total. Purchases from the Asian country increased by 13.3% despite tariff measures against imports from China.

Although South Korea's weight is small within the Mexican portfolio, only 3.6% of the total, the upward trend of goods from this country continues. In cumulative figures for 3Q24, almost 17 billion dollars were imported from South Korea, when a year earlier, they totaled just under 15 billion dollars, an increase of 15.0% at an annual rate. Since February 2024, this country has sent an increasing value of goods each month. In contrast, imports from Japan have decreased during the same period, going from 15.7 billion dollars to 14.4 billion dollars, 8.6% less. Throughout 2024, imports from Japan have been declining.

According to official figures from the US, Mexico remained the leading international supplier of that country. As of 3Q24, accumulated imports from Mexico totaled 379 billion dollars, while Canada totaled 309 billion dollars, with the difference increasing compared to the previous quarter and the previous year. Thus, Mexico has a share of 15.7% and Canada 12.8%. However, despite trade restrictions, China is gaining ground on the latter country, as the US imported goods worth 322 billion dollars. Thus, China's share increases to 13.3%.

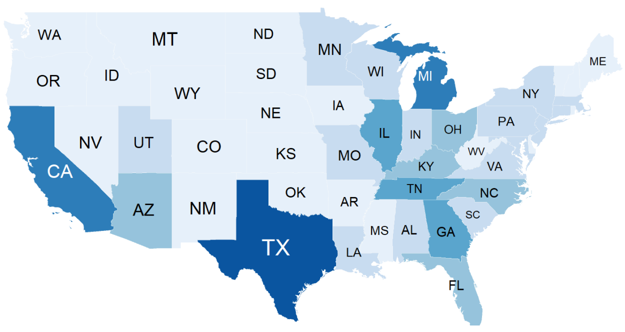
The US imported 221 billion dollars from Germany and Japan, far below Canada. As it has been for years, Texas is the leading destination for Mexican imports. A new trend arose in Michigan, which surpassed California in demand for goods from Mexico, most likely due to the integration of the automotive industry. Texas imported just over 118 billion dollars from Mexico, Michigan 56.3 billion dollars, and California 47.8 billion dollars.

Figure 5. **US IMPORTS BY COUNTRY 3Q24**
(BILLIONS USD$, CURRENT PRICES)



Fuente: BBVA Research con datos del Census

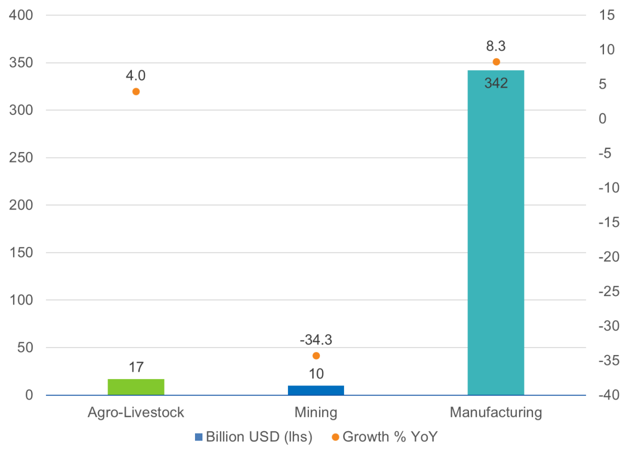
Mapa 3. **US IMPORTS FROM MEXICO 3Q24**
(BILLIONS USD$, CURRENT PRICES)



Fuente: BBVA Research con datos del Census

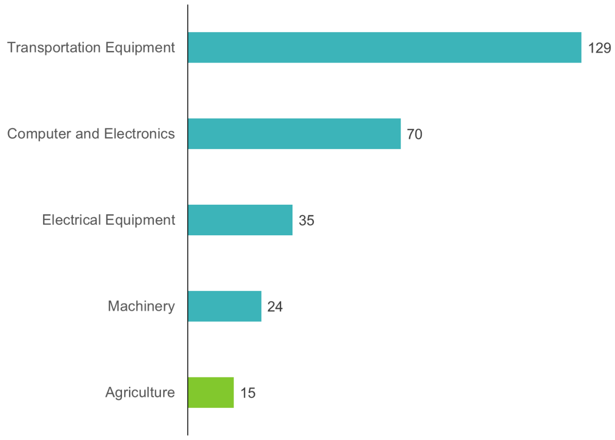
US imports of Mexican manufactured goods continued to rise, growing 8.3% annually to $342 billion in 3Q24. US demand for Mexican agricultural products increased by 4.0% to $17 billion. In contrast, mining products, including hydrocarbons, plummeted 34.3%, representing only $10 billion in 3Q24 accumulated figures.

Figure 9. **US IMPORTS FROM MEXICO 3Q24**
(BILLIONS USD$, CURRENT PRICES, RHS VAR. Y/Y)



Source: BBVA Research with data from Inegi

Figure 10. **US IMPORTS FROM MEXICO 3Q24**
(BILLIONS USD$, CURRENT PRICES)



Source: BBVA Research with data from Inegi

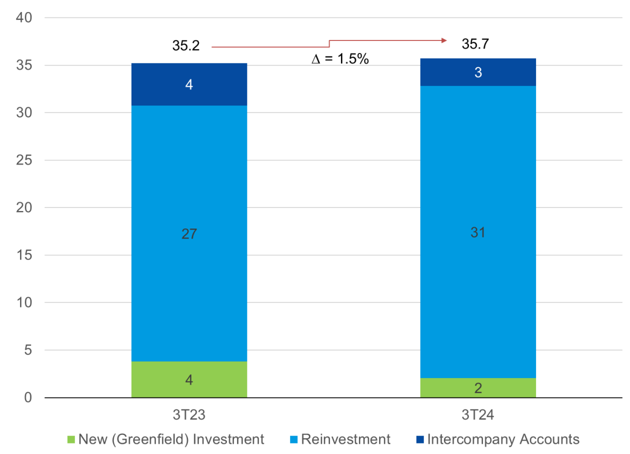
Within manufacturing, the automotive industry remains the most significant commercial activity between the two countries. From the beginning of 2024 to September of the same year, the US imported transportation equipment goods for 129 billion dollars, a growth of 7.4% compared to the same period of the previous year. However, the increase in electronic imports is more surprising, which increased by 26.1%. In the case of electronic equipment (computing and measurement), the value of international purchases from the US to Mexico was 70 billion dollars, when a year earlier, it was 56 billion dollars. On the other hand, US imports of electrical and generation equipment from Mexico amounted to 35 billion dollars.

In this review period, US agricultural imports from Mexico exceed oil imports. The amount of these was 15 billion dollars, which implies an increase of 5.0% at an annual rate. According to official US data, agricultural purchases from Mexico represent 4.0%, while oil purchases represent only 2.5%.

The manufacturing sector continues to appeal FDI

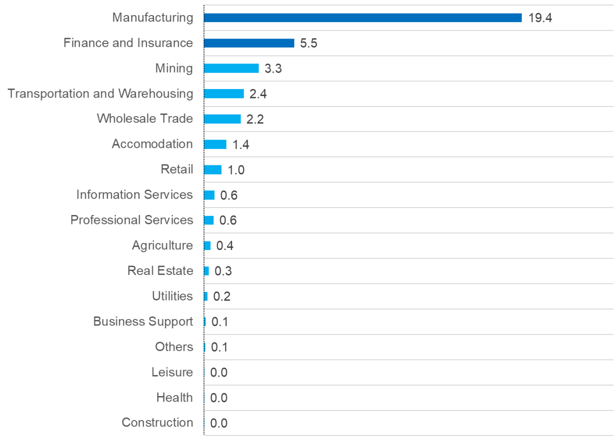
Foreign direct investment (FDI) continues to flow to Mexico. Through 3Q24, the country has captured 35.7 billion dollars, a slight increase of 1.5% compared to the same period of the previous year. As has been the case in recent years, the majority, 31 of the almost 36 billion dollars, are reinvested profits. On the other hand, new investment flows fell by half, from 4 billion dollars to only 2 billion dollars.

Figure 11. **MEXICO FDI INFLOW 3Q24**
(BILLIONS USD$, CURRENT PRICES)



Source: BBVA Research with data from Ministry of Economy (SE)

Figure 12. **MEXICO FDI INFLOW 3Q24**
(BILLIONS USD$, CURRENT PRICES)



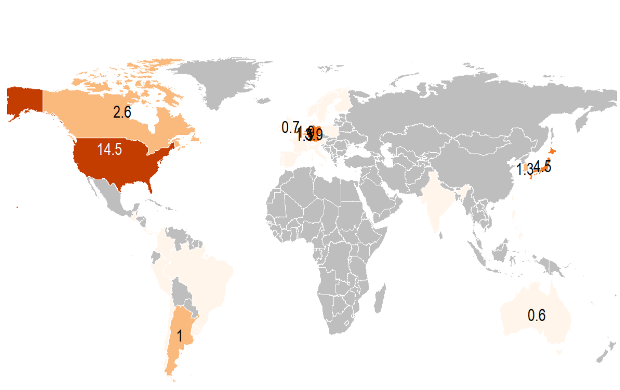
Source: BBVA Research with data from Ministry of Economy (SE)

Manufacturing attracted 19.4 billion dollars during this period, 51.6% of the total. Far behind, Financial services obtained 14.6% of FDI flows, for a total of 5.5 billion dollars, the only sector that shows a contraction compared to the same period a year earlier. Although with lower participation, sectors such as Transport and Wholesale Trade increased their FDI capture by double digits, the first at an annual rate of 11.7% and the second at 29.3%. Although a relevant part of Transport services is associated with international trade, both segments of goods and passengers strongly focus on the domestic market.

At the country level, the United States, as the leading investor in the country, allocated US$14.5 billion in FDI, an increase of more than 10% compared to US$13.1 billion in the first three quarters of 2023. This figure exceeds by more than 3 times the FDI from Japan of US$4.5 billion, which occupies the second position; however, it showed a substantial increase from US$2.9 billion that flowed into Mexico in the previous year. The following positions are occupied by Germany and Canada, with US$3.9 billion and US$2.6 billion, respectively. Then we see other

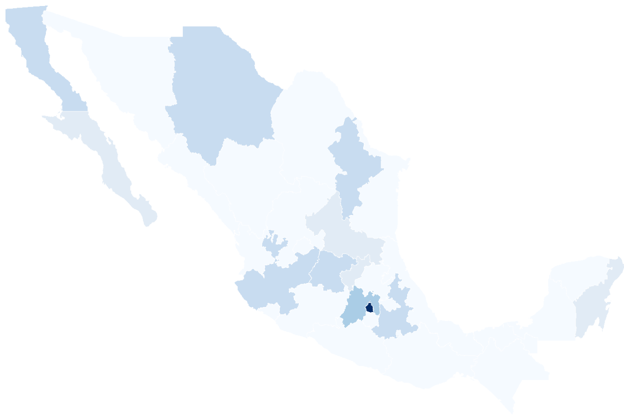
European countries with less than US$2 billion each. Regarding Asian investment, after Japan, South Korea is the country that allocates the most FDI to Mexico, and in this period of analysis, it is US$1.3 billion. On the other hand, China only allocated US$477 million.

Figure 13. **MEXICO FDI INFLOW 3Q24**
(BILLIONS USD$, CURRENT PRICES)



Source: BBVA Research with data from Ministry of Economy (SE)

Figure 14. **MEXICO FDI INFLOW 3Q24**
(BILLIONS USD$, CURRENT PRICES)



Source: BBVA Research with data from Ministry of Economy (SE)

Mexico’s foreign trade monitors

Available in Spanish and English:

- FDI received by Mexico fell by mid-2024. Monitor 24Q2. Available here
- Mexico's trade is more concentrated towards the United States. Monitor 24Q1. Available here
- Mexico is now the largest exporter to the U.S. Monitor 23Q4. Available here

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